

ITEM NO: 7b\_Supp\_1\_Long

DATE OF MEETING: March 24, 2015

# 2014 Performance Report

## Aviation Division

### Commission Briefing

March 24, 2015

# 2014 Aviation Business Overview

- Updated and refined cost estimate for International Arrivals Facility
- Sustainable Airport Master Plan - developed terminal expansion concepts
- Airport Dining and Retail program:
  - › Presented leasing plan to commission
  - › Commission approved modifications to prime operator leases in December
- Completed Cargo 5 hardstand project to add much needed aircraft parking positions

Steady progress on Strategic Initiatives

# Airport Activity

	2013	2014	% Change
<b>Enplaned Passengers (000's)</b>			
Domestic	15,604	16,824	7.8%
International	1,772	1,892	6.8%
<b>Total</b>	<b>17,376</b>	<b>18,717</b>	<b>7.7%</b>
<b>Operations</b>	317,186	340,478	7.3%
<b>Landed Weight (million lbs.)</b>			
Cargo	1,388	1,574	13.4%
All other	19,561	20,926	7.0%
<b>Total</b>	<b>20,949</b>	<b>22,500</b>	<b>7.4%</b>
<b>Cargo - metric tons</b>			
Domestic freight	155,868	161,140	3.4%
International freight	88,580	107,606	21.5%
Mail	48,262	50,612	4.9%
<b>Total</b>	<b>292,710</b>	<b>319,358</b>	<b>9.1%</b>

## Growth in Passenger Volume:

Both Alaska and Delta added domestic flights  
Delta added new international service to Hong Kong, Seoul, and London

## Growth in Cargo Activity:

International passenger flights provide new cargo capacity.  
Fruit exports, especially cherries, strong in 2014.  
Air trade to Asia & Europe up significantly in 2014, across a range of commodities.

Passenger growth driven by Alaska and Delta

# Aviation Financial Summary

\$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2013	
				\$	%	\$	%
<b>Operating Revenues:</b>							
Aeronautical Revenues	238,633	228,769	241,443	(12,674)	-5.2%	(9,864)	-4.1%
SLOA III Incentive Straight Line Adj <sup>(1)</sup>	14,304	(3,576)	(3,576)	(0)	0.0%	(17,880)	-125.0%
Non-Aeronautical Revenues	161,075	180,806	166,453	14,353	8.6%	19,731	12.2%
<b>Total Operating Revenues</b>	<b>414,011</b>	<b>405,999</b>	<b>404,320</b>	<b>1,679</b>	<b>0.4%</b>	<b>(8,012)</b>	<b>-1.9%</b>
<b>Total Airport Expenses</b>	<b>163,807</b>	<b>161,357</b>	<b>163,935</b>	<b>2,578</b>	<b>1.6%</b>	<b>(2,449)</b>	<b>-1.5%</b>
Total Charges from Other Divisions	62,113	69,305	75,048	5,743	7.7%	7,192	11.6%
<b>Total Operating Expense</b>	<b>225,920</b>	<b>230,663</b>	<b>238,983</b>	<b>8,320</b>	<b>3.5%</b>	<b>4,743</b>	<b>2.1%</b>
<b>Net Operating Income</b>	<b>188,092</b>	<b>175,336</b>	<b>165,337</b>	<b>9,999</b>	<b>6.0%</b>	<b>(12,755)</b>	<b>-6.8%</b>

(1) For Accounting purposes, the 2013 reduction in the airline revenue requirement of \$17.9 million was treated as a lease incentive and is being amortized over the five year SLOA III agreement.

**Net Operating Income \$10 million above Budget**

# Key Measures

	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2013	
				\$	%	\$	%
<b>Performance Metrics</b>							
Cost per Enplanement (CPE)	11.88	11.49	12.68	1.19	9.4%	(0.39)	-3.3%
O&M Cost per Enplanement	13.00	12.32	13.42	1.09	8.1%	(0.68)	-5.2%
Non-Aero Revenue per Enplanement	9.27	9.66	9.34	0.32	3.4%	0.39	4.2%
Debt per Enplanement	141	126	142	16	11.5%	(15)	-10.7%
Debt Service Coverage	1.33	1.38	1.30	0.09	6.6%	0.06	4.2%
Days cash on hand (10 months = 304 days)	437	405	309	95	30.8%	(32)	-7.4%
Aeronautical Revenue Sharing (\$ in 000's)	9,901	16,996	6,136	10,859	177.0%	7,094	71.7%
<b>Activity (in 000's)</b>							
Enplanements	17,376	18,717	17,813	903	5.1%	1,340	7.7%

- Cost per Enplanement lowest since 2009
- Non-Aero Revenue per Enplanement at an all time high
- Enplaned passengers increased due to new scheduled flights, primarily by Alaska & Delta

All Key Measures Favorable

# Non-Aeronautical Business

\$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2013	
				\$	%	\$	%
<b>Non-Aero Revenues</b>							
Rental Car	39,839	46,104	41,167	4,937	12.0%	6,265	15.7%
Public Parking	52,225	57,128	52,138	4,990	9.6%	4,903	9.4%
Ground Transportation	7,958	8,333	7,881	451	5.7%	374	4.7%
Airport Dining & Retail	41,551	46,954	43,714	3,240	7.4%	5,403	13.0%
Other	19,502	22,287	21,553	734	3.4%	2,786	14.3%
<b>Total Non-Aero Revenues</b>	<b>161,075</b>	<b>180,806</b>	<b>166,453</b>	<b>14,353</b>	<b>8.6%</b>	<b>19,731</b>	<b>12.2%</b>
<b>Total Non-Aero Expenses</b>	<b>74,140</b>	<b>80,656</b>	<b>86,233</b>	<b>5,577</b>	<b>6.5%</b>	<b>6,516</b>	<b>8.8%</b>
<b>Net Operating Income</b>	<b>86,934</b>	<b>100,150</b>	<b>80,220</b>	<b>19,930</b>	<b>24.8%</b>	<b>13,216</b>	<b>15.2%</b>
Less: CFC Surplus	(4,594)	(6,497)	(4,623)	1,874	40.5%	(1,903)	41.4%
<b>Adjusted Non-Aero NOI</b>	<b>82,340</b>	<b>93,653</b>	<b>75,597</b>	<b>18,056</b>	<b>23.9%</b>	<b>11,313</b>	<b>13.7%</b>
Debt Service	(46,434)	(45,209)	(46,504)	1,295	2.8%	1,225	2.6%
<b>Net Cash Flow</b>	<b>35,906</b>	<b>48,443</b>	<b>29,093</b>	<b>19,350</b>	<b>66.5%</b>	<b>12,538</b>	<b>34.9%</b>

Year over Year Revenue growth drives increased cash flow

# Aeronautical Business

\$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav)		Incr (Decr)	
				Budget Variance		Change from 2013	
				\$	%	\$	%
<b>Revenues:</b>							
Movement Area	77,028	75,784	74,590	1,195	1.6%	(1,244)	-1.6%
Apron Area	7,909	11,569	10,214	1,355	13.3%	3,660	46.3%
Terminal Rents	147,339	142,001	144,641	(2,640)	-1.8%	(5,338)	-3.6%
Federal Inspection Services (FIS)	7,771	9,205	8,617	588	6.8%	1,434	18.5%
<b>Total Rate Base Revenues</b>	<b>240,047</b>	<b>238,559</b>	<b>238,063</b>	<b>497</b>	<b>0.2%</b>	<b>(1,488)</b>	<b>-0.6%</b>
Commercial Area	8,487	8,133	9,517	(1,384)	-14.5%	(354)	-4.2%
<b>Subtotal before Revenue Sharing</b>	<b>248,534</b>	<b>246,692</b>	<b>247,580</b>	<b>(887)</b>	<b>-0.4%</b>	<b>(1,842)</b>	<b>-0.7%</b>
Revenue Sharing	(9,901)	(16,996)	(6,136)	(10,859)	-177.0%	(7,094)	71.7%
Other Prior Year Revenues	-	(927)	-	(927)	0.0%	(927)	0.0%
<b>Total Aeronautical Revenues</b>	<b>238,633</b>	<b>228,769</b>	<b>241,443</b>	<b>(12,674)</b>	<b>-5.2%</b>	<b>(9,864)</b>	<b>-4.1%</b>
<b>Total Aeronautical Expenses</b>	<b>151,779</b>	<b>150,007</b>	<b>152,750</b>	<b>2,743</b>	<b>1.8%</b>	<b>(1,773)</b>	<b>-1.2%</b>
<b>Net Operating Income</b>	<b>86,853</b>	<b>78,763</b>	<b>88,693</b>	<b>(9,931)</b>	<b>-11.2%</b>	<b>(8,091)</b>	<b>-9.3%</b>
Debt Service	(81,397)	(82,029)	(82,234)	205	0.2%	(633)	0.8%
<b>Net Cash Flow</b>	<b>5,457</b>	<b>(3,267)</b>	<b>6,459</b>	<b>(9,726)</b>	<b>-150.6%</b>	<b>(8,724)</b>	<b>-159.9%</b>

Aeronautical Revenues Down Due to Increased Revenue Sharing

# Capital Budget

\$ in 000's Description	2014	2014	Budget Variance	
	Actual	Budget	\$	%
Rental Car Fac. Construction <sup>(1)</sup>	13,207	1,998	(11,209)	-561.0%
International Arrivals Fac-IAF <sup>(2)</sup>	5,688	16,000	10,312	64.5%
GSE Electrical Chrg Stations <sup>(3)</sup>	2,041	12,000	9,959	83.0%
Aircraft RON Parking USPS Site <sup>(4)</sup>	25,488	33,000	7,512	22.8%
Single Family Home Sound Insul <sup>(5)</sup>	1,750	5,972	4,222	70.7%
NS Conc C Vertical Circulation	7,070	9,287	2,217	23.9%
NS NSAT Renov NSTS Lobbies	6,524	8,127	1,603	19.7%
Highline School Insulation	11,365	11,360	(5)	0.0%
All Other	82,837	139,576	56,739	40.7%
<b>Total Spending</b>	<b>155,970</b>	<b>237,320</b>	<b>81,350</b>	<b>34%</b>

- (1) \$12.4 million settlement with the Rental Car Facility contractor occurred in Q3 2014. Project still came in under budget.
- (2) Baseline cash flow was developed very early in the program definition phase.
- (3) Port was planning on purchasing the chargers in 2014, but decided to include it in the contractor's scope that will occur in 2015.
- (4) Project realized savings of \$5 million, combined with cash flow timing later than expected.
- (5) Realized project savings of \$3 million. Number of applications received from homeowners has been less than anticipated.

**Spent 66% of 2014 Budget Due to Savings and Delays**



# 2014 Performance Report

## Seaport Division

### Commission Briefing

March 24, 2015

# Seaport 2014 Business Overview

- Net Operating Income exceeded budget by \$1.0 million
- Business Volume
  - TEU Volume was 1,388K, down 11% from 2013.
  - Grain volume was at 3,618K metric tons, up 168% from 2013 and 64% over 2014 budget.
  - Cruise passengers totaled 824K which was 2% favorable to budget, but down 5% from 2013. Ships sailed at 107% occupancy.
- Seattle and Tacoma commissions approved an interlocal agreement outlining the framework of a Seaport Alliance between the two ports and filed it with the Federal Maritime Commission. Due diligence in process.
- Commission approved design funding for the modernization of Terminal 5. The terminal closed at the end of July.
- Port of Seattle was awarded a \$20 million Tiger Grant for the Terminal 46 Modernization project.
- Agreement was signed with the U.S. Army Corp of Engineers moving forward with feasibility study related to potential deepening of the East and West Waterways.

# Seaport 2014 Business Overview

## (continued)

- **Environmental**

- 64 drayage trucks have been replaced with model-year 2007 or newer engines under the Seaport Truck Scrappage and Replacements for Air in Puget Sound (ScRAPS 2) program (largely grant funded).
- Terminal 117 and Terminal 91 clean up projects largely complete.
- The formation of a Port of Seattle Stormwater Utility was approved by Commission in 2014 and legally established effective January 1, 2015.
- \$7.9 million in clean-up project costs were recovered from grants and insurance.

# Seaport 2014 Financial Summary

\$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Bud Variance		Incr (Decr) Change from 2013	
				\$	%	\$	%
Operating Revenue	99,628	96,272	101,553	(5,281)	-5%	(3,356)	-3%
Security Grants	0	0	0	0	NA	0	NA
<b>Total Revenues</b>	<b>99,628</b>	<b>96,272</b>	<b>101,553</b>	<b>(5,281)</b>	<b>-5%</b>	<b>(3,356)</b>	<b>-3%</b>
Seaport Expenses (excl env srvs)	14,257	14,602	17,812	3,210	18%	345	2%
Environmental Services	2,269	2,119	2,581	462	18%	(150)	-7%
Maintenance Expenses	6,317	6,135	6,637	502	8%	(182)	-3%
P69 Facilities Expenses	510	407	414	6	2%	(102)	-20%
Other RE Expenses	289	316	386	70	18%	26	9%
CDD Expenses	3,575	1,827	2,190	363	17%	(1,749)	-49%
Police Expenses	4,169	4,161	4,286	125	3%	(7)	0%
Corporate Expenses	11,722	8,423	8,440	17	0%	(3,299)	-28%
Security Grant Expense	23	0	0	0	NA	(23)	-100%
Envir Remed Liability	1,248	(378)	1,180	1,558	132%	(1,626)	-130%
<b>Total Expenses</b>	<b>44,379</b>	<b>37,613</b>	<b>43,926</b>	<b>6,314</b>	<b>14%</b>	<b>(6,767)</b>	<b>-15%</b>
<b>NOI Before Depreciation</b>	<b>55,249</b>	<b>58,659</b>	<b>57,626</b>	<b>1,033</b>	<b>2%</b>	<b>3,410</b>	<b>6%</b>

- Container Revenue: (\$8,135K) primarily due to the closure of Terminal 5 and elimination of Terminal 18 MHI crane minimum annual guarantee.
- Grain Revenue: \$1,419K due to volume exceeding budget by 64%.

**Net Operating Income \$1 million above Budget**

# Seaport 2014 Capital

\$ in 000's	2014	2014	Budget Variance	
	Actual	Budget	\$	%
<b>Seaport</b>	\$10,489	\$27,858	\$17,369	62%

## Significant Variances:

- T46 Development - \$6.4M due to postponement of the final phase of the stormwater project to 2017-2018 and revised schedules for other projects.
- Contingency Renewal and Replacement - \$5.0M spending of contingency was not needed in 2014.
- Terminal 5 Berth Modernization - (\$.2M) reflects accelerated design/permit schedule.
- Terminal 18 Dock Rehabilitation - \$.7M delay due to reprioritization of T46 projects.

Spent 38% of Budget Due to Revised Schedules and Unused Contingency

# 2014 Performance Report

## Real Estate Division

### Commission Review

March 24, 2015

# Real Estate 2014 Business Overview

- Full Year Net Operating Income exceeded budget by \$1,847K
- Occupancy Rates/Activity
  - Commercial property at 93% occupancy, above target of 92% and above year-end 2014 Seattle market average of 92%.
  - Marinas: Fishermen's Terminal and Maritime Industrial Center at 82% average occupancy, above target of 78%. Recreational marinas at target occupancy of 96%.
  - Conference and Event Center revenue exceeded budget by 10% and 2013 actual results by 13%.
- Real Estate Development & Planning
  - Commission approved an option/ground lease agreement with Panattoni Development Company for the Des Moines Creek Business Park project. The option agreement was executed in August.
  - Commission approved an option to ground lease agreement with Credit Lease Investments, LLC for the Federal Aviation Administration office project.
  - Executed a purchase and sale agreement to sell the Tsubota Steel site. Sale to close in 2015.

# Real Estate 2014 Business Overview

## (continued)

- Eastside Rail Corridor
  - Commission authorized the sale of approximately 12 mile section of the corridor to Snohomish County. Sale is expected to close in 2015.
  - Washington State Court of Appeals affirmed trial court's dismissal of all substantive claims in the Lane case.
  - A lawsuit was filed against the Port by a group of Eastside property owners disputing the Port's authority to grant an easement to Puget Sound Energy.
- Executed a Termination of Agreement and Release with the City of Seattle in connection with Memorandum of Understanding originating in 1994 for Bell Harbor Marina.



# Real Estate 2014 Financial Summary

\$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2013	
				\$	%	\$	%
Revenue	22,904	23,356	23,244	113	0%	452	2%
Conf & Event Ctr Revenue	7,958	8,957	8,132	825	10%	999	13%
<b>Total Revenue</b>	<b>30,862</b>	<b>32,313</b>	<b>31,376</b>	<b>937</b>	<b>3%</b>	<b>1,451</b>	<b>5%</b>
Real Estate Exp (excl Conf,Maint,P 69)	10,372	11,114	11,553	439	4%	742	7%
Conf & Event Ctr Expense	6,473	7,374	6,858	(515)	-8%	901	14%
Eastside Rail Corridor	205	1,036	170	(866)	-508%	831	406%
Maintenance Expenses	8,928	8,778	9,311	534	6%	(150)	-2%
P69 Facilities Expenses	172	125	126	2	1%	(47)	-27%
Seaport Expenses	1,282	1,140	1,310	170	13%	(142)	-11%
CDD Expenses	1,364	2,314	2,582	268	10%	950	70%
Police Expenses	1,378	1,353	1,391	38	3%	(26)	-2%
Corporate Expenses	5,087	5,181	5,417	237	4%	94	2%
Envir Remed Liability	2	(3)	600	603	100%	(5)	-239%
<b>Total Expense</b>	<b>35,262</b>	<b>38,410</b>	<b>39,320</b>	<b>910</b>	<b>2%</b>	<b>3,148</b>	<b>9%</b>
<b>NOI Before Depreciation</b>	<b>(4,399)</b>	<b>(6,096)</b>	<b>(7,944)</b>	<b>1,847</b>	<b>23%</b>	<b>(1,697)</b>	<b>-39%</b>

- Real Estate expense variance reflects underspending of Outside Services with most significant components relating to broker fees and tenant improvements.
- Eastside Rail Corridor expense variance reflects a reserve for litigation expenses.
- Envir Remed Liability expense variance reflects no spending on certain Fishermen's Terminal projects that were expected to have an operating environmental remediation component.

**Net Operating Income \$1.8 million favorable to Budget**

# Real Estate 2014 Capital

\$ in 000's	2014	2014	Budget Variance	
	Actual	Budget	\$	%
<b>Real Estate Division</b>	10,922	18,101	7,179	40%

## Significant Variances:

- Shilshole Bay Marina Central Seawall Replacement delayed to 2015 due to material lead time.
- Pier 69 North Apron Corrosion Control project closeout costs lower than expected. No change orders and contingency not needed.
- Pier 69 Built-Up Roof Replacement due to bid was lower than anticipated
- Reduced scope for Fishermen’s Terminal C15 Building Subsidence and East Sewer Line projects.
- Pier 69 Carpet project start was delayed and construction bid lower than anticipated.
- Several other projects delayed to 2015.

**Spent 60% of Budget Due to Savings and Delays**



# 2014 Performance Report

## Capital Development Division

### Commission Briefing

March 24, 2015

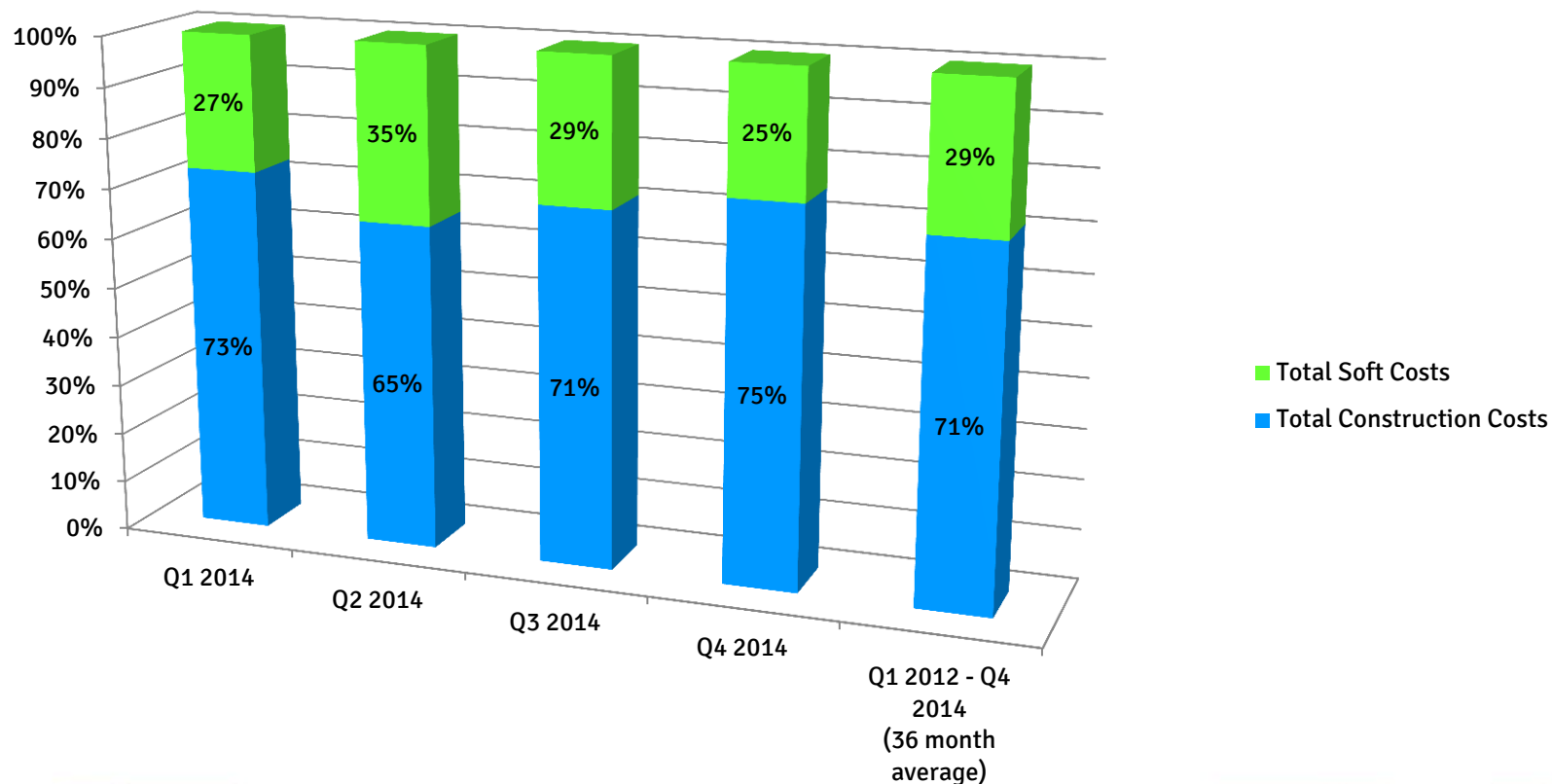
# 2014 Key Business Events

- Completion of NSAT 30% design and concurrence by Alaska Airlines. NSAT GC/CM selected (Hensel Phelps).
- IAF cost estimate validated and updated. Six design build teams submitted statements of qualifications.
- Runway 16C/34C replacement – Advertised for construction bids.
- Successfully completed a public works audit by the State Auditor’s Office (SAO).
- Opened new Engineering office at Terminal 102.
- PCS worked 409 projects during 2014.
- Implemented 811 One-Call per RCW19.122 Dig Law.
- Gained Agency Approval for General Contractor/Construction Manager (GC/CM) and Design-Build (DB) valid for 3 years (effective 1/23/14).

# Capital Development Key Metrics

## Project Hard/Soft Costs

### CDD Construction Soft Costs %



# Capital Development Key Metrics

(continued)

## Procurement Timeliness

### Total Time Receipt of Scope to Execution (Avg # Days)

	<u>2013</u>	<u>2014</u>
• Goods & Services	55 days	118 days
• Major Public Works	78 days	67 days
• Small Works	56 days	44 days
• Service Agreements	169 days	142 days

# 2014 Capital Development Financials Summary

\$ in 000's	2013	2014	2014	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Budget	Budget	Variance	Change from 2013	
				\$	%	\$	%
<b>Total Revenues</b>	26	21	-	21	0.0%	(5)	-19.6%
<b><u>Expenses Before Charges To Cap/Govt/Envrs Projects</u></b>							
Capital Development Administration	380	394	404	10	2.4%	14	3.8%
Engineering	13,304	13,877	15,878	2,001	12.6%	573	4.3%
Port Construction Services	7,192	8,186	7,556	(630)	-8.3%	994	13.8%
Central Procurement Office	5,020	4,616	5,332	716	13.4%	(404)	-8.0%
Aviation Project Management	7,285	11,622	13,260	1,639	12.4%	4,337	59.5%
Seaport Project Management	2,518	2,998	3,236	238	7.4%	480	19.1%
<b>Total Before Charges to Capital Projects</b>	<b>35,699</b>	<b>41,693</b>	<b>45,666</b>	<b>3,973</b>	<b>8.7%</b>	<b>5,995</b>	<b>16.8%</b>

- Total Expenses before Charges to Capital Projects were \$4.0M below budget mainly due to savings in Payroll, Outside Services, and Travel & Other Employee expenses.

# 2014 Performance Report

## Corporate

### Commission Briefing

March 24, 2015



# 2014 Key Business Events

- Successfully launched the SODO Business Improvement District with the City of Seattle and SODO businesses and property owners.
- Achieved agreements with the Muckleshoot Indian Tribe and the Suquamish Tribe to return to the tribes Native American cultural materials.
- Finalized a project list as part of the joint Freight Access Project and launched the Freight Master Plan with the City of Seattle.
- Successfully negotiated updates to the City of Seattle's Shoreline Master Plan.
- Completed the Economic Impact Study of the Port of Seattle.
- Upgraded/replaced a number of systems: Enterprise Risk and Claims Management System, ID Badge System, Roster Management System, Applicant Tracking System, Learning Management System, etc.
- Received a number of awards in the Port's budgeting, financial reporting, environmental, and other areas.

# 2014 Corporate Key Metrics

	2013	2014
Apprenticeship Opportunity Project Placements	156	150
Employment through Airport Jobs Center	1,274	1,143
Small Business and Workforce Dev. Outreaches Conducted	42	39
Small Business Participation (as % of Eligible Expenditures)	30%	32%
Employee Development Class Attendees	2,376	2,201
Completed Required Safety Training	97%	98%
Responded to Public Disclosure Requests	310	329
Percentage of Annual Audit Work Plan Completed	105%	82%

# 2014 Budget Variances by Department

	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Explanations
				\$	%	
\$ in 000's						
<b>Total Revenues</b>	<b>479</b>	<b>398</b>	<b>155</b>	<b>243</b>	<b>156.9%</b>	Unbudgeted revenues from Police grants & PA
Executive	1,728	1,710	1,818	108	5.9%	Savings in travel & misc.
Commission	1,013	1,353	1,645	292	17.8%	Payroll, travel & misc. savings
Legal	3,545	3,731	3,264	(467)	-14.3%	Unanticipated outside legal expenses
Risk Services	2,901	3,051	3,173	122	3.8%	Savings in outside svcs and insurance
Health & Safety Services	1,078	1,067	1,190	123	10.4%	Outside svcs, supplies, travel and payroll savings
Public Affairs	5,890	5,554	6,069	515	8.5%	Saving in payroll, outside svcs, travel & promo
Human Resources & Development	5,259	5,356	5,655	300	5.3%	Payroll, travel, outside svcs savings
Labor Relations	1,151	1,222	1,319	97	7.4%	Payroll, travel, outside svcs & promo savings
Information & Communications Technology	20,323	20,458	20,850	392	1.9%	Outside svcs, telecommunications & payroll savings
Finance & Budget	1,543	1,803	1,856	54	2.9%	Savings in outside svcs & travel
Accounting & Financial Reporting Services	5,724	6,039	7,081	1,041	14.7%	Savings in outside svcs, travel, payroll & misc.
Internal Audit	1,201	1,372	1,422	49	3.5%	Savings in payroll and travel
Office of Social Responsibility	1,644	2,115	2,187	72	3.3%	Payroll, travel & misc. savings
Police	22,458	22,231	22,658	427	1.9%	Outside svcs, payroll & equipment savings
Contingency	266	410	450	40	9.0%	Miscellaneous savings
<b>Total Expenses</b>	<b>75,725</b>	<b>77,471</b>	<b>80,637</b>	<b>3,166</b>	<b>3.9%</b>	

**Corporate Expenses \$3.2M favorable to Budget**

# 2014 Major Expense Variances

\$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2013	
				\$	%	\$	%
Salaries & Benefits	36,316	37,624	39,790	2,166	5.4%	1,308	3.6%
Wages & Benefits	20,003	19,689	20,202	513	2.5%	(313)	-1.6%
Payroll to Capital Projects	2,850	2,277	2,940	663	22.6%	(573)	-20.1%
Equipment Expense	1,992	1,452	1,216	(235)	-19.3%	(541)	-27.1%
Supplies & Stock	464	481	551	71	12.9%	16	3.6%
Outside Services	10,920	11,682	11,326	(356)	-3.1%	762	7.0%
Travel & Other Employee Exps	2,231	2,015	2,653	638	24.1%	(216)	-9.7%
Insurance Expense	2,156	2,237	2,300	64	2.8%	80	3.7%
Other	1,637	2,292	2,597	305	11.7%	655	40.0%
Charge to Capital	(2,843)	(2,277)	(2,940)	(663)	-22.6%	(566)	-19.9%
<b>Total</b>	<b>75,725</b>	<b>77,471</b>	<b>80,637</b>	<b>3,166</b>	<b>3.9%</b>	<b>1,746</b>	<b>2.3%</b>

- Corporate expenses were \$3.2M below budget mainly due to savings in Payroll and Travel & Other Employee expenses, partially offset by higher equipment purchases and unanticipated legal expenses.

# 2014 Performance Report

## Portwide

### Commission Briefing

March 24, 2015

# 2014 Major Revenue Variances

\$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2013	
				\$	%	\$	%
Aero Revenues	238,633	228,769	241,443	(12,674)	-5.2%	(9,864)	-4.1%
SLOA III Incentive	14,304	(3,576)	(3,576)	-	0.0%	(17,880)	-125.0%
Public Parking	52,225	57,128	52,138	4,990	9.6%	4,903	9.4%
Rental Cars	39,839	46,104	41,167	4,937	12.0%	6,265	15.7%
Airport Dining and Retail	41,551	46,954	43,714	3,240	7.4%	5,403	13.0%
Employee Parking	5,461	6,538	6,292	246	3.9%	1,077	19.7%
Ground Transportation	7,958	8,333	7,881	451	5.7%	374	4.7%
Airport Commercial Properties	6,089	6,638	6,383	255	4.0%	549	9.0%
Utilities	6,332	6,736	6,891	(155)	-2.3%	404	6.4%
Container	63,046	56,901	65,036	(8,135)	-12.5%	(6,145)	-9.7%
Seaport Industrial Properties	16,371	17,509	16,555	955	5.8%	1,138	7.0%
Cruise	13,216	12,993	12,705	288	2.3%	(223)	-1.7%
Grain	1,634	3,785	2,366	1,419	60.0%	2,151	131.7%
Dock	5,330	5,083	4,891	192	3.9%	(247)	-4.6%
Recreational Boating	9,220	9,433	9,386	46	0.5%	212	2.3%
Commercial Properties	10,020	10,022	10,360	(338)	-3.3%	2	0.0%
Conference & Event Centers	7,958	8,957	8,132	825	10.1%	999	12.5%
Other	5,790	6,666	5,639	1,027	18.2%	876	15.1%
<b>Operating Rev w/o Aero</b>	<b>292,041</b>	<b>309,780</b>	<b>299,536</b>	<b>10,244</b>	<b>3.4%</b>	<b>17,739</b>	<b>6.1%</b>
<b>TOTAL</b>	<b>544,978</b>	<b>534,973</b>	<b>537,403</b>	<b>(2,430)</b>	<b>-0.5%</b>	<b>(10,005)</b>	<b>-1.8%</b>

Operating Revenues without Aeronautical \$10.2M favorable to Budget

# 2014 Major Expense Variances

\$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2013	
				\$	%	\$	%
Salaries & Benefits	96,506	98,567	104,179	5,611	5.4%	2,061	2.1%
Wages & Benefits	92,520	94,501	97,982	3,481	3.6%	1,981	2.1%
Payroll to Capital Projects	20,112	22,530	24,048	1,518	6.3%	2,418	12.0%
Equipment Expense	7,152	6,761	6,219	(542)	-8.7%	(390)	-5.5%
Supplies & Stock	7,183	7,722	6,641	(1,080)	-16.3%	538	7.5%
Outside Services	54,911	57,172	63,782	6,610	10.4%	2,261	4.1%
Utilities	22,544	24,304	23,695	(609)	-2.6%	1,760	7.8%
Travel & Other Employee Exps	4,183	3,900	5,677	1,777	31.3%	(283)	-6.8%
Promotional Expenses	1,410	1,779	2,026	247	12.2%	368	26.1%
Other Expenses	28,924	24,993	26,238	1,245	4.7%	(3,931)	-13.6%
Charges to Capital Projects	(28,457)	(34,214)	(37,095)	(2,881)	7.8%	(5,757)	20.2%
<b>TOTAL</b>	<b>306,989</b>	<b>308,015</b>	<b>323,391</b>	<b>15,377</b>	<b>4.8%</b>	<b>1,026</b>	<b>0.3%</b>

- Operating expenses were \$15.4M below budget mainly due to savings in Payroll, Outside Services, and Travel & Other Employee expenses; partially offset by higher equipment & maintenance materials purchases and utilities cost.

# 2014 Operating Income Summary

\$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2013	
				\$	%	\$	%
Aeronautical Revenues	238,633	228,769	241,443	(12,674)	-5.2%	(9,864)	-4.1%
SLOA III Incentive	14,304	(3,576)	(3,576)	()	0.0%	(17,880)	-125.0%
Other Operating Revenues	292,041	309,780	299,536	10,244	3.4%	17,739	6.1%
Total Operating Revenues	544,978	534,973	537,403	(2,430)	-0.5%	(10,005)	-1.8%
Total Operating Expenses	306,989	308,015	323,391	15,377	4.8%	1,026	0.3%
NOI before Depreciation	237,989	226,958	214,012	12,946	6.0%	(11,030)	-4.6%
Depreciation	171,374	166,337	164,386	(1,952)	-1.2%	(5,037)	-2.9%
NOI after Depreciation	66,614	60,621	49,627	10,994	22.2%	(5,993)	-9.0%

- Excluding Aeronautical revenues, other operating revenues were \$309.8M, \$10.2M higher than budget and \$17.7M higher than 2013 actual.
- Total Operating Expenses were \$308.0M, \$15.4M below budget.

**Net Operating Income before Depreciation \$13 million above Budget**



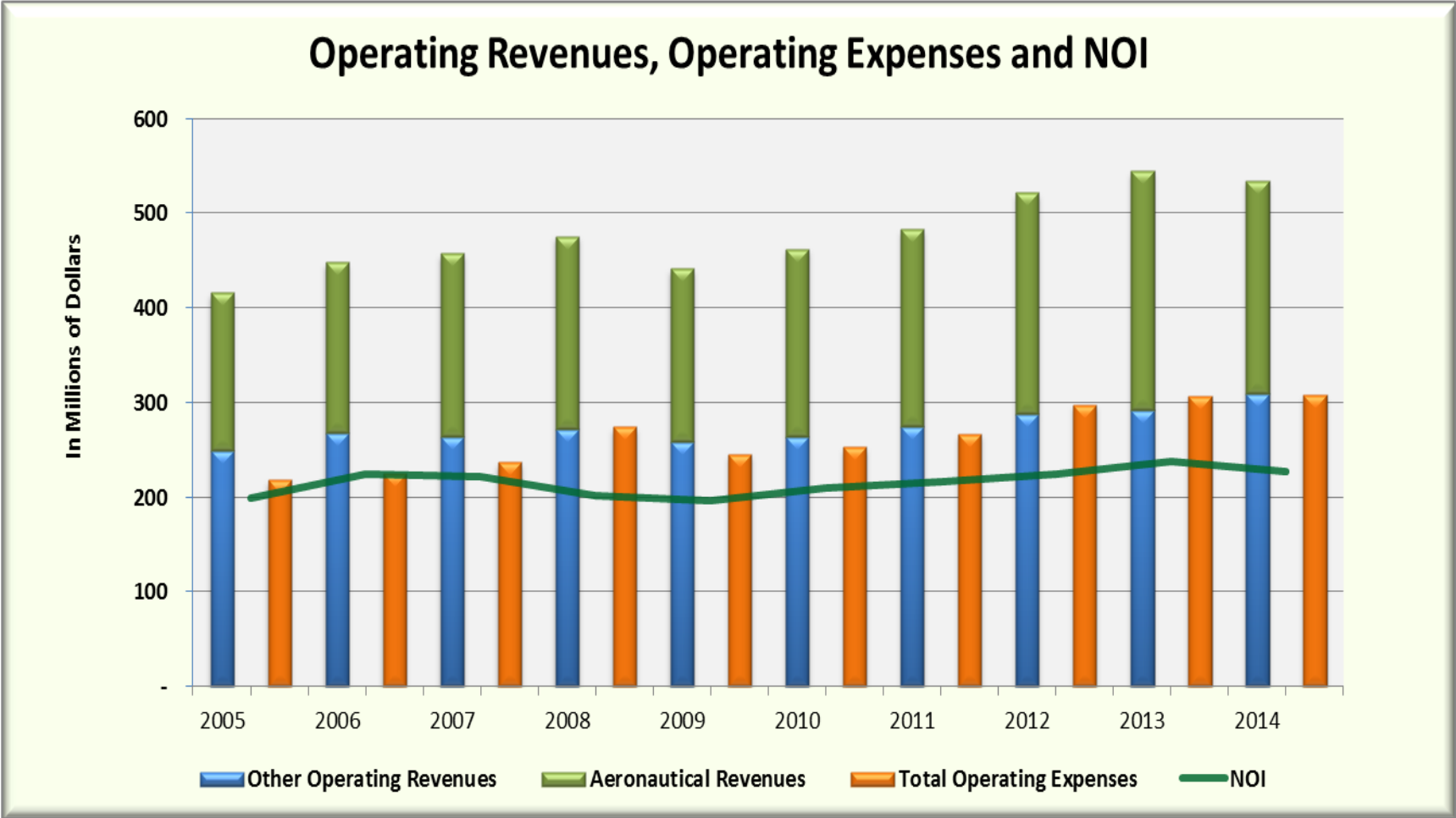
# Net Operating Income by Division

\$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2013	
				\$	%	\$	%
Aviation	188,092	175,336	165,337	9,999	6.0%	(12,755)	-6.8%
Seaport	55,249	58,659	57,626	1,033	1.8%	3,410	6.2%
Real Estate	(4,399)	(6,096)	(7,944)	1,847	23.3%	(1,697)	-38.6%
Corp & CDD <sup>(1)</sup>	(952)	(941)	(1,007)	67	6.6%	12	1.2%
<b>TOTAL</b>	<b>237,989</b>	<b>226,958</b>	<b>214,012</b>	<b>12,946</b>	<b>6.0%</b>	<b>(11,030)</b>	<b>-4.6%</b>

(1) Corp & CDD are not operating divisions so “NOI” is the net of the operating revenues and non-allocable costs, such as Tourism expenses.

All operating divisions had favorable NOI's to Budget

# Net Operating Income Comparison



# Capital Spending by Division

\$ in 000's	2013	2014	2014	Budget Variance	
	Actual	Actual	Budget	\$	%
Aviation	108,841	155,970	237,320	81,350	34.3%
Seaport	5,673	10,489	27,858	17,369	62.3%
Real Estate	6,060	10,922	18,101	7,179	39.7%
Corporate & CDD	9,657	6,538	15,955	9,417	59.0%
<b>TOTAL</b>	130,231	<b>183,919</b>	299,234	115,315	38.5%

- Capital spending for each division came in below budget in 2014.
- Total capital spending was \$183.9M for 2014, \$115.3M or 38.5% lower than budget.

Spent 61.5% of 2014 Budget Due to Savings and Delays



# Comprehensive Financial Summary

(\$ in 000's)	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance		Explanation
				\$	%	
<b>Revenues</b>						
1. Operating Revenues	544,978	534,973	537,403	(2,430)	-0.5%	See details in the previous slides
2. Tax Levy	72,738	72,801	73,000	(199)	-0.3%	
3. PFCs	64,661	69,803	67,879	1,924	2.8%	Higher enplanement than budgeted
4. CFCs	20,389	19,889	20,568	(679)	-3.3%	
5. Fuel Hydrant	7,417	7,130	6,953	176	2.5%	
6. Non-Capital Grants & Donations	3,771	9,899	6,688	3,210	48.0%	More state grants than budgeted
7. Capital Contributions	21,381	16,746	10,393	6,353	61.1%	More FAA grants than budgeted.
8. Interest Income	(1,107)	11,202	7,615	3,588	47.1%	Due to unrealized gain on investments
<b>Total Revenues</b>	<b>734,227</b>	<b>742,443</b>	<b>730,500</b>	<b>11,943</b>	<b>1.6%</b>	
<b>Expenses</b>						
1. O&M Expense	306,989	308,015	323,391	15,377	4.8%	See details in the previous slides
2. Depreciation	171,374	166,337	164,386	(1,952)	-1.2%	
3. Revenue Bond Interest Expense	115,340	108,910	128,987	20,078	15.6%	No new bond & previous refunding savings
4. GO Bond Interest Expense	11,479	9,475	9,806	330	3.4%	
5. PFC Bond Interest Expense	6,212	5,906	5,953	47	0.8%	
6. Public Expense	6,226	6,854	7,121	267	3.7%	
7. Non-Op Environmental Expense	4,765	9,142	9,300	158	1.7%	
8. Other Non-Op Expense	411	(3,653)	3,738	7,392	197.7%	Due to award for W.R. bankruptcy claim
<b>Total Expenses</b>	<b>622,796</b>	<b>610,986</b>	<b>652,682</b>	<b>41,696</b>	<b>6.4%</b>	
<b>Increase In Net Position</b>	<b>111,431</b>	<b>131,457</b>	<b>77,817</b>	<b>53,639</b>	<b>68.9%</b>	

- 2014 Total Revenues were \$742.4M, \$11.9M higher than the budget and \$8.2M higher than 2013 actual.
- 2014 Total Expenses were \$611.0M, \$41.7M lower than the budget and \$11.8M lower than 2013 actual.
- Net Position increased by \$131.4M, \$53.6M above the budget and \$20.0M higher than 2013 actual.